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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

SUSAN BITIER SMITH - Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
UNS ELECTRIC, INC. FOR THE  
ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES  
DESIGNED TO REALIZE A REASONABLE  
RATE OF RETURN ON THE FAIR VALUE OF  
THE PROPERTIES OF UNS ELECTRIC, INC.  
DEVOTED TO ITS OPERATIONS  
THROUGHOUT THE STATE OF ARIZONA  
AND FOR RELATED APPROVALS.

DOCKET NO. E-04204A-15-0142

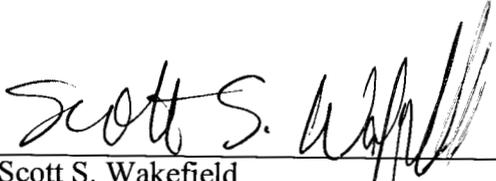
**WAL-MART STORES, INC.'S  
NOTICE OF FILING DIRECT  
TESTIMONY OF CHRIS HENDRIX  
AND GREGORY W. TILLMAN ON  
RATE DESIGN AND COST OF  
SERVICE**

Wal-Mart Stores, Inc. ("Walmart"), herby provides notice of the filing of Chris Hendrix's and Gregory W. Tillman's direct testimony related to rate design and cost of service in the above-referenced matter.

Dated this 9th day of December, 2015.

HIENTON & CURRY, P.L.L.C.

By

  
Scott S. Wakefield  
5045 North 12<sup>th</sup> Street, Suite 110  
Phoenix, Arizona 85014

Attorneys for Wal-Mart Stores, Inc.

Arizona Corporation Commission

**DOCKETED**

DEC 09 2015

DOCKETED BY  


1 **ORIGINAL and 13 copies filed**  
2 **this 9th day of December, 2015 with:**

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 W. Washington Street  
6 Phoenix, AZ 85007

7 **COPY of the foregoing HAND-**  
8 **DELIVERED this 9th day of**  
9 **December, 2015 to:**

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12 Hearing Division  
13 Arizona Corporation Commission  
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18 Arizona Corporation Commission  
19 1200 West Washington Street  
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22 Director Utilities Division  
23 Arizona Corporation Commission  
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25 Phoenix, Arizona 85007  
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By: 

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

**SUSAN BITTER SMITH, CHAIRMAN  
BOB STUMP  
BOB BURNS  
TOM FORESE  
DOUG LITTLE**

**IN THE MATTER OF THE APPLICATION OF  
UNS ELECTRIC, INC. FOR THE  
ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES  
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THE PROPERTIES OF UNS ELECTRIC, INC.  
DEVOTED TO ITS OPERATIONS  
THROUGHOUT THE STATE OF ARIZONA,  
AND FOR RELATED APPROVALS**

**DOCKET NO. E-04204A-15-0142**

**TESTIMONY AND EXHIBITS OF**

**GREGORY W. TILLMAN**

**ON BEHALF OF**

**WAL-MART STORES, INC.**

**DECEMBER 9, 2015**

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**Exhibits**

**Exhibit GWT-1 – Witness Qualifications Statement**

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**Introduction**

1  
2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

3 A. My name is Gregory W. Tillman. My business address is 2001 SE 10th St.,  
4 Bentonville, AR 72716-0550. I am employed by Wal-Mart Stores, Inc. as Senior  
5 Manager, Energy Regulatory Analysis.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

7 A. I am testifying on behalf of Wal-Mart Stores, Inc. ("Walmart").

8 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

9 A. I earned a Bachelor of Science in Electrical Engineering from the University of Tulsa  
10 in 1987. I have more than 23 years of experience in the regulated and deregulated  
11 energy industry including roles in regulatory, pricing, billing, and metering  
12 information. After serving on active duty as a Signal Officer in the United States  
13 Army, I joined Public Service Company of Oklahoma ("PSO") where I was  
14 employed in various positions in the Information Services, Business Planning, Rates  
15 and Regulatory, and Ventures departments from 1990 through 1997. Within the Rates  
16 and Regulatory department I served as the Supervisor of Power Billing and Data  
17 Collection. In this position I managed the billing for large industrial and commercial  
18 customers and led the implementation of the company's real-time pricing program. I  
19 also managed the implementation of real-time pricing for three other utilities within  
20 the Central and South West Corporation – Southwestern Electric Power Company  
21 ("SWEPCO"), Central Power and Light ("CPL") and West Texas Utilities ("WTU").  
22 Following my employment at PSO, I joined the Retail department of the Williams  
23 Energy Company as the manager of systems for the retail gas and electric data and

1 billing systems in 1997. During this time I also managed the customer billing function  
2 at Thermogas and billing and accounting systems support functions at Williams  
3 Communications. In 2000, I joined Automated Energy where I served as the Vice  
4 President of Energy Solutions for two years. Following several assignments as a  
5 consultant and project manager in various industries, I joined OG&E in 2008 as a  
6 senior pricing analyst, was promoted to Manager of Pricing in January 2010, and  
7 became the Product Development Pricing Leader in 2013. While at OG&E, I was  
8 instrumental in developing and managing OG&E's pricing strategy and products  
9 including – the design and implementation of the OG&E's SmartHours™ rate. I have  
10 been in my current position as Senior Manager, Energy Regulatory Analysis at  
11 Walmart since November 2015. My Witness Qualification Statement is found in  
12 Exhibit GWT-1.

13 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**  
14 **ARIZONA CORPORATION COMMISSION (“THE COMMISSION”)?**

15 A. No.

16 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER**  
17 **STATE REGULATORY COMMISSIONS?**

18 A. Yes. I have submitted testimony in proceedings before the Oklahoma Corporation  
19 Commission and Arkansas Public Service Commission. My testimony addressed the  
20 topics of rate design, revenue allocation, pricing, customer impacts, tariffs and terms  
21 and conditions of service.

22 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

23 A. Yes. I am sponsoring the exhibits listed in the Table of Contents.

1 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE**  
2 **COMPANY'S SERVICE TERRITORY.**

3 A. Walmart has three stores that take electric service from UNS Electric, Inc. ("UNSE"  
4 or "the Company") on the Large Power Service schedule ("LPS"). UNSE proposed  
5 rate class modifications will place these stores on the Large General Service ("LGS")  
6 rate schedule.

7  
8 **Purpose of Testimony**

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A. The purpose of my testimony is to address the rate design proposed by UNSE.  
11 Specifically, I respond to the rate design proposals that affect the proposed LGS rate  
12 class which are supported within the testimonies of Dallas J. Dukes and Craig A.  
13 Jones.

14  
15 **Summary of Recommendations**

16 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE**  
17 **COMMISSION.**

18 A. My recommendations to the Commission are as follows:

- 19 1) The Commission should approve UNSE proposed Cost of Service Model.  
20 2) The Commission should order UNSE to further mitigate the disparity in the  
21 Medium and Large General Service rate class' Relative Rate of Return in all  
22 future proceedings until all classes are brought to their cost of service.



1 Public Utility Rates” to drive a reasonable rate design.<sup>1</sup> Mr. Jones elaborates on the  
2 goal by explaining the “Company’s goal is to create fair and equitable rates for all  
3 customer classes under sound Cost-of-Service and Rate Design principles.”<sup>2</sup>  
4

5 **Cost of Service Study**

6 **Q. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?**

7 A. The cost of service study is foundational in establishing distribution of the utility’s  
8 authorized revenue requirement amongst the various customer or rate classes. This is  
9 accomplished by identifying, classifying and allocating total costs to each of the rate  
10 classes in a manner that is consistent with how costs are incurred by each rate class.

11 **Q. DO YOU HAVE ANY CONCERNS WITH THE COST OF SERVICE MODEL  
12 PRESENTED BY THE COMPANY?**

13 A. No. However, to the extent that alternative cost of service models or modifications to  
14 the Company’s model are proposed by other parties, Walmart reserves the right to  
15 address any such changes in rebuttal testimony.  
16

17 **Revenue Allocation**

18 **Q. HAS THE COMPANY PROPOSED A CLASS REVENUE ALLOCATION?**

19 A. Yes. UNSE’s proposed rates establish the revenue allocation to each of the classes  
20 defined within the Company’s cost of service study.

---

<sup>1</sup> Direct Testimony of Dallas J. Dukes, page 8, line 10 to page 9, line 27.

<sup>2</sup> Direct Testimony of Craig A. Jones, page 8, lines 20-21.

1 **Q. WHAT METRIC DO YOU USE TO DETERMINE IF RATES ACCURATELY**  
2 **REFLECT THE UNDERLYING COST CAUSATION?**

3 A. I employ the relative rate of return (“RROR”), which is a measure of the relationship  
4 of the rate of return for an individual rate class to the total system rate of return. A  
5 RROR greater than 100 percent means that the rate class is paying rates in excess of  
6 the costs incurred to serve that class, and a RROR less than 100 percent means that  
7 the rate class is paying rates less than the costs incurred to serve that class. As such,  
8 when rates are set such that each class does not have a RROR equal to 100 percent  
9 there are inter-class subsidies, as those rate classes with a RROR greater than 100  
10 percent shoulder some of the revenue responsibility burden for the classes with a  
11 RROR less than 100 percent.

12 **Q. WHAT ARE THE PROPOSED RATES OF RETURN FOR THE TOTAL**  
13 **COMPANY AND INDIVIDUAL RATE CLASSES?**

14 A. The Company proposed a total return 7.93 per cent.<sup>1</sup> The individual rate classes  
15 current and proposed returns and the calculated RROR of each class are shown in  
16 Table 1.

	Total	Residential	Small General Service	Medium/ Large General Service	Large Power Service	Lighting
Current Return	2.31%	-3.88%	-1.02%	15.02%	27.95%	3.94%
Proposed Return	7.93%	6.00%	6.40%	12.96%	9.06%	9.06%
Proposed Relative Rate of Return	100.00%	75.66%	80.71%	163.43%	114.25%	114.25%

17  
18  
<sup>1</sup> Schedule G-2, sheet 1 of 1, line 37.

1 **Q. HAS THE COMPANY'S PROPOSED REVENUE ALLOCATION MOVED**  
2 **THE CLASSES CLOSER TO THEIR RESPECTIVE COST OF SERVICE?**

3 A. Yes. All classes have been moved closer to their respective costs of service at the  
4 proposed revenue levels. However, as can be seen in Table 1, the Medium/Large  
5 General Service class' proposed RROR is 163% of the system average.

6 **Q. DO YOU AGREE WITH THE PROPOSED REVENUE ALLOCATION?**

7 A. No. The proposed return on the Medium/Large General Service class is excessive  
8 when compared to other classes. While I do not agree with the proposed rate of  
9 return to the LGS class, I am cognizant of the dilemma in which the Company finds  
10 itself for this particular case—balancing the proposed increase to the other classes  
11 with the goal of bringing each class to its cost of service. This balancing act imposes  
12 limitations on the rate at which individual classes can be moved to their equitable  
13 proportion of the costs.

14 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE REVENUE**  
15 **ALLOCATION AS PROPOSED?**

16 A. At the Company's proposed revenue requirement, I am not opposed to the revenue  
17 allocation proposed by the Company. In order to ensure future mitigation of the  
18 disproportionate share of revenue in the Medium/Large General Service Class. I  
19 recommend that the Company be ordered to further mitigate the disparity in the  
20 Medium and Large General Service rate class' Relative Rate of Return in all future  
21 proceedings until all classes are brought in line with their cost of service.



---

**Economic Development Rider**

1  
2 **Q. HAS THE COMPANY PROPOSED AN ECONOMIC DEVELOPMENT**  
3 **RIDER (“EDR”)?**

4 A. Yes. UNSE has proposed the implementation of a discount based economic  
5 development program that reduces the electric billing for existing or new customers  
6 that add or expand load within the Company’s service territory.

7 **Q. DOES WALMART SUPPORT THE INTRODUCTION OF THE EDR?**

8 A. Walmart is receptive to the approval of the EDR and agrees with the underlying  
9 drivers and need for the program.

10 **Q. DO YOU HAVE ANY CONCERNS WITH THE APPROVAL OF THIS RIDER**  
11 **AS PRESENTED BY THE COMPANY?**

12 A. Yes. The Company has not provided information on the disposition of the costs or  
13 the future treatment of any revenue deficiencies created by the use of the rider.

14 **Q. WHAT ARE YOUR RECOMMENDATIONS FOR CHANGES TO THE**  
15 **ECONOMIC DEVELOPMENT RIDER IN ORDER TO BE SUPPORTIVE OF**  
16 **ITS APPROVAL?**

17 A. Prior to approval, the Company should be required to provide a cost recovery plan  
18 that provides guidelines for the recovery and fair allocation of the costs and/or any  
19 revenue deficiencies associated with the EDR.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes

## **Gregory W. Tillman**

Senior Manager, Energy Regulatory Analysis

Wal-Mart Stores, Inc.

Business Address: 2001 SE 10<sup>th</sup> Street, Bentonville, AR, 72716-0550

Business Phone: (479) 204-7993

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### **EXPERIENCE**

**November 2015 – Present**

Wal-Mart Stores, Inc., Bentonville, AR

Senior Manager, Energy Regulatory Analysis

**November 2008 – November 2015**

Oklahoma Gas & Electric, Oklahoma City, OK

Product Development Pricing Leader

Manager, Pricing

Senior Pricing Analyst

**May 2006 – November 2008**

LSG Solutions, Oklahoma City, OK

Project Manager, International Registration Plan/Interstate Fuel Tax Agreement Systems Development

**August 2002 – May 2006**

OnPeak Utility Solutions, Oklahoma City, OK

Owner/Consultant

**May 2000 – August 2002**

Automated Energy, Inc., Oklahoma City, OK

Vice President, Utility Solutions

**November 1997 – May 2000**

Williams Energy, Tulsa, OK

Sr. Manager Accounting Services

Process Manager, Customer Billing and Accounting

Retail Systems Manager, Billing and Electricity

**May 1990 – November 1997**

Public Service Company of Oklahoma, Tulsa, OK

Manager, Software Development and Support

Supervisor, Data Translation and Power Billing

Administrator, Disaster Recovery and Research and Development

Programmer/Analyst

**June 1987 – May 1990**

United States Army, Signal Command, Ft. Monmouth, NJ

Project Officer, Joint Tactical Information Distribution System

**EDUCATION**

1991-1994	The University of Tulsa	Graduate Coursework, M.B.A.
1987	The University of Tulsa	B.S., Electrical Engineering

**TESTIMONY BEFORE REGULATORY COMMISSIONS**

2012

Arkansas Public Service Commission Docket No. 12-067U: In the Matter of the Application of Oklahoma Gas and Electric Company for an Order Approving a Temporary Surcharge to Recover the Costs of a Renewable Wind Generation Facility.

2011

Oklahoma Corporation Commission Cause No. PUD 201100087: In the Matter of the Application of Oklahoma Gas and Electric Company for an Order of the Commission Authorizing Applicant to Modify its Rates, Charges, and Tariffs for Retail Electric Service in Oklahoma.

2010

Arkansas Public Service Commission Docket No. 10-067U: In the Matter of the Application of Oklahoma Gas and Electric Company for Approval of a General Change in Rates and Tariffs

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

**SUSAN BITTER SMITH, CHAIRMAN  
BOB STUMP  
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**DECEMBER 9, 2015**

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2 **Introduction**..... 1

3 **Purpose of Testimony** ..... 3

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6 **Conclusion** ..... 10

7

8 **Exhibits**

9 **Exhibit CWH-1 - Witness Qualifications Statement**

10

**Introduction**

1  
2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

3 A. My name is Chris Hendrix. My business address is 2001 SE 10th St.,  
4 Bentonville, AR 72716-0550. I am employed by Wal-Mart Stores, Inc. as  
5 Director of Markets and Compliance.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

7 A. I am testifying on behalf of Wal-Mart Stores, Inc. ("Walmart").

8 **Q. PLEASE DESCRIBE YOUR POSITION WITH WAL-MART?**

9 A. In my role as Director of Markets & Compliance, I am responsible for directing and  
10 implementing regulatory and legislative policies for Walmart's retail and wholesale  
11 business interests related to electricity and natural gas in the competitive markets of  
12 the United States and the United Kingdom. In addition, I am accountable for all  
13 regulatory, legislative and market developments that effect the operation of  
14 Walmart's self-supply retail electricity provider: Texas Retail Energy, LLC in  
15 Connecticut, Illinois, Maine, Maryland, Massachusetts, New Hampshire, New Jersey,  
16 New York, Ohio, Pennsylvania, and Texas, and Power4All, Ltd. in the United  
17 Kingdom.

18 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

19 A. I earned a Bachelors of Business Administration with a concentration in Accounting  
20 from the University of Houston in 1991 and a Masters of Business Administration  
21 with a concentration in Finance and International Business from the University of  
22 Houston in 1994. I have more than 25 years of experience in all facets of the energy  
23 industry with the last 15 years specifically related to the competitive electric and

1 natural gas markets. From 1990 to 1997, I was an Accountant, then an Accounting  
2 Analyst and later a Senior Rate Analyst with Tenneco Energy in Houston, Texas. My  
3 initial duties included various accounting functions for their regulated pipeline,  
4 Tennessee Gas Pipeline, and in my later position, the preparation of cost allocation  
5 and rate design studies. From 1997 to 2001, I was a Senior Specialist and later a  
6 Manager at Enron Energy Services in Houston, Texas. My duties included  
7 participating in gas and electric deregulation proceedings, performing cost of service  
8 analysis, and analyzing regulatory rules and utility tariffs. From 2002 to 2003, I was  
9 a Manager at TXU Energy in Dallas, Texas, where I supervised a pricing team for  
10 energy transactions. In 2003, I joined the Energy Department of Wal-Mart Stores  
11 Inc., as a General Manager and was promoted to my current position in 2009. My  
12 Witness Qualification Statement is found on Exhibit CWH-1.

13 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**  
14 **ARIZONA CORPORATION COMMISSION ("THE COMMISSION")?**

15 A. Yes. I submitted testimony in Docket No. E-01345A-11-0224.

16 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER**  
17 **STATE REGULATORY COMMISSIONS?**

18 A. Yes. I have submitted testimony in one proceeding before the Oklahoma Corporation  
19 Commission. My testimony addressed the topic of natural gas competition. In  
20 addition, I have been a contributor to numerous coalition groups and industry  
21 organizations in preparing and submitting testimony regarding natural gas and  
22 electricity competition and market rules.

1 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

2 A. Yes. I am sponsoring the exhibits listed in the Table of Contents.

3  
4 **Purpose of Testimony**

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. The purpose of my testimony is to address Experimental Rider 14, Alternative  
7 Generation Service ("AGS") proposed by UNS Electric, Inc. ("UNSE" or "the  
8 Company").

9  
10 **Summary of Recommendations**

11 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATION TO THE**  
12 **COMMISSION.**

13 A. My recommendation to the Commission is to approve AGS with the following  
14 modifications:

- 15 1) The Commission should reject the management fee as proposed by the  
16 Company and require the Company to file a cost-justified management fee  
17 proposal.
- 18 2) The Commission should reduce the minimum participation size to 1,000 KW  
19 and specify that a customer can aggregate utility accounts within its corporate  
20 family to meet the participation limit.
- 21 3) The Commission should allow all rate classes to participate based on  
22 Recommendation 2 above.

1           4)    The Commission should raise the cap to 150 MW of peak load based on the  
2                    amount of wholesale market purchases currently undertaken by the Company.

3           5)    The Commission should not make an AGS customer responsible for any of  
4                    the Company's generation related charges or any "lost revenues" since the  
5                    AGS program is simply replacing wholesale market purchases that the  
6                    Company would have to make.

7           The fact that an issue is not addressed herein or in related filings should not be  
8                    construed as an endorsement of any filed position.

9  
10                    **Experimental Rider 14, Alternative Generation Service**

11           **Q.    PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE**  
12                    **COMPANY'S SERVICE TERRITORY.**

13           A.    Walmart has three stores that take electric service from UNSE that are currently on  
14                    the Large Power Service schedule ("LPS"). However, the Company proposes to  
15                    move these stores to the Large General Service ("LGS") schedule as part of this  
16                    docket.

17           **Q.    WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S AGS**  
18                    **PROPOSAL?**

19           A.    My understanding is that the Company is proposing AGS as a buy-through tariff per  
20                    the settlement agreement in the acquisition of the Company by Fortis, which  
21                    settlement agreement was approved by the Commission in Decision No. 74689

1 (August 12, 2014). However, the Company is not supportive and states that they are  
2 opposed to the implementation of the AGS tariff.<sup>1</sup>

3 As proposed, AGS would be made available for a maximum of 10 MW of  
4 peak load for no more than four years from the effective date of the new rates in this  
5 docket. Only LPS ratepayers with peak demands of 2,500 KW or more would be  
6 allowed to participate.

7 Participating ratepayers would select their preferred generation service  
8 provider to sell power to the Company on the ratepayer's behalf. The Company  
9 would then take title to the power and provide it to the ratepayer. The ratepayer  
10 would be responsible for all charges and adjustments in the retail rate schedule,  
11 except for the Power Supply Charges and the Purchased Power and Fuel Adjustment  
12 Charge ("PPFAC"). The Company would still supply transmission, delivery and  
13 revenue cycle services under the provisions of the retail rate schedule.<sup>2</sup>

14 **Q. DOES THE COMPANY PROPOSE A MANAGEMENT FEE FOR THE AGS**  
15 **TARIFF?**

16 A. Yes. In Mr. Jones' Direct Testimony on Page 57, Line 9 states that the amount shall  
17 be \$0.0060 per kWh, however the AGS Tariff Original Sheet No. 714-2 states that the  
18 rate is \$0.0040 per kWh. This difference is not explained in Mr. Jones' Direct  
19 Testimony.

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<sup>1</sup> See Direct Testimony of Craig A. Jones Page 56, Lines 8 to 14.

<sup>2</sup> See Direct Testimony of Craig A. Jones Page 57, Lines 3 to 12.

1       **Q.    IS THE MANAGEMENT FEE THAT THE COMPANY IS PROPOSING FOR**  
2       **THE AGS TARIFF COST BASED AND JUSTIFIED?**

3       **A.    No. The Company just states the amount of the management fee but does not provide**  
4       **any documentation for the amount. The Company should be allowed to recover the**  
5       **actual just and reasonable costs of providing the AGS services but those costs should**  
6       **be provided for review by the Commission and parties. As such, the Commission**  
7       **should reject the management fee as proposed by the Company and require the**  
8       **Company to file a cost-justified management fee proposal.**

9       **Q.    IS THE MINIMUM PARTICPATION SIZE (TO ONLY INCLUDE**  
10       **CUSTOMERS WITH PEAK DEMANDS GREATER THAN 2,500 KW)**  
11       **APPROPRIATELY SET?**

12       **A.    No. The more appropriate minimum participation size would be 1,000 KW. This**  
13       **minimum size would ensure that the participant is sufficiently large enough to be a**  
14       **sophisticated user of electricity and not need any consumer protection requirements.**

15       **Q.    SHOULD CUSTOMERS BE ALLOWED TO AGGREGATE SITES TO MEET**  
16       **THE PEAK DEMAND THRESHOLD?**

17       **A.    Yes. A customer should be allowed to aggregate utility accounts within its corporate**  
18       **family to meet the peak demand threshold. This will allow participating customers to**  
19       **leverage economies of scale to reduce their generation supply costs.**

1       **Q.    SHOULD AGS BE AVAILABLE TO ADDITIONAL RATE CLASSES?**

2       A.    Yes. As proposed the AGS program would only be available to 4 customers that are  
3       proposed to be served on either LPS or LPS-TOU.<sup>3</sup> Based on my recommendation to  
4       lower the peak demand threshold and allowing a customer to aggregate utility  
5       accounts, all commercial and industrial rate classes should be allowed to participate.  
6       This would allow a significant number of customers the opportunity to participate in  
7       AGS, which, in my experience, would attract more Generation Service Providers and  
8       result in lower costs to participate.

9       **Q.    SHOULD THE CAP OF 10 MW OF PEAK LOAD BE EXPANDED?**

10      A.    Yes. The cap should be raised to 150 MW of peak load. The 10 MW limit is  
11      completely arbitrary and not supported by the Company. The proposed cap, along  
12      with the limited number of proposed customers, would severely restrict the amount of  
13      Generation Service Providers that would be interested in participating in the AGS  
14      program.

15      **Q.    HOW DID YOU ARRIVE AT THE 150 MW OF PEAK LOAD CAP?**

16      A.    As noted in the Direct Testimony of Michael E. Sheehan, after the Gila River  
17      Acquisition, the Company will still be purchasing 175 MW of Market Based  
18      Resources.<sup>4</sup> I based the 150 MW cap as a portion of this 175 MW that the Company  
19      is already purchasing from the wholesale power market while still allowing the  
20      company to purchase an estimated 25 MW from the market. This would significantly  
21      reduce the Company's reliance on the wholesale market and transfer the market risk

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<sup>3</sup> See Exhibit CAJ-2 Lines 13-14 of the Direct Testimony of Craig A. Jones.

<sup>4</sup> See Direct Testimony of Michael E. Sheehan Section V, Pages 12 – 13.

1 to customers who are willingly participating in the AGS program. This will shelter  
2 UNSE's other ratepayers from market risk and volatility related to the Company's  
3 wholesale purchases.

4 **Q. HAS STAFF NOTED THAT THE COMPANY RELIES ON THE SHORT-**  
5 **TERM WHOLESALE MARKET MORE THAN OTHER ARIZONA**  
6 **UTILITIES?**

7 A. Yes. Staff has previously noted that the Company's reliance on the short-term  
8 wholesale markets is still higher than other Arizona utilities:

9 "The acquisition of Gila River will reduce UNS Electric's reliance on the short  
10 term market from approximately 67 percent of its capacity needs to approximately  
11 38 percent. While a significant reduction, UNS Electric's reliance on short term  
12 market purchases is still substantially higher than other utilities in Arizona and  
13 higher than suggested in the 2012 IRP Staff report."<sup>5</sup>

14 **Q. SHOULD AGS CUSTOMERS BE RESPONSIBLE FOR ANY OF THE**  
15 **COMPANY'S GENERATION RELATED CHARGES IN THE BASE RETAIL**  
16 **RATES?**

17 A. No. Since the AGS Program would be replacing the Company's wholesale market  
18 purchases, there should be no charges to the participating AGS customers for the  
19 Company's generation related costs. In addition, the Company will be able to plan  
20 that the AGS Program will be a slice of its total resource mix on an ongoing basis.

21 **Q. SHOULD THE AGS CUSTOMERS BE RESPONSIBLE FOR ANY OF THE**  
22 **COMPANY'S CLAIMED LOST REVENUES OR EARNINGS?**

23 A. No. Since the AGS Program would be replacing the Company's wholesale market  
24 purchases, there would be no lost revenues or earnings related to AGS.

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<sup>5</sup> Staff Report, Attachment A. (Engineering Analysis) at 10 (UNS Electric Inc. Financing Application (Docket No. E-04204A-13-0447)).

1       **Q.    SHOULD THE AGS PROGRAM BE LIMITED TO FOUR YEARS?**

2       A.    No. There should be no limit to the length of the program.

3       **Q.    DOES THE TERM AFFECT THE ABILITY OF CUSTOMERS TO**  
4       **CONTRACT FOR LARGE SCALE RENEWABLES?**

5       A.    Yes. Limiting the program to four years eliminates the ability of customers to  
6       purchase long-term contracts especially for off-site renewable contracts like solar and  
7       wind, due to the length of contract term needed by renewable developers to build new  
8       projects. Many customers would like to purchase more renewables than the  
9       Company's forecasted 5% Utility Scale Renewables<sup>6</sup> of its total resource mix.  
10      Eliminating the proposed program term will enable Customers to purchase large scale  
11      off-site renewables if they desire and it fits their business needs. The purchase of any  
12      additional renewable amount would be at the AGS Customer's own choosing and cost  
13      and would not harm any other UNSE customers.

14      **Q.    DOES THE EXISTENCE OF AGS HARM OTHER NON-AGS CUSTOMERS?**

15      A.    No. Contrary to the Company's contention that the existence of AGS allows certain  
16      customers to "cherry pick" available capacity resulting from current economic  
17      conditions and will ultimately result in costs being passed on to the non-AGS  
18      customers,<sup>7</sup> the existence of AGS does not harm any non-AGS customer. The AGS  
19      Program is replacing the Company's own wholesale market purchases with those of  
20      the customers participating in AGS, thus shifting the risk of the Company's wholesale

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<sup>6</sup> See Chart 3 on Page 13 of the Direct Testimony of Michael E. Sheehan.

<sup>7</sup> See Direct Testimony of Craig A. Jones Page 56, Lines 10 to 12.

1 market purchases from the Company's ratepayers (the non-AGS Customers) to the  
2 AGS customers.

3  
4 **Conclusion**

5 **Q. GENERALLY, WHAT IS YOUR RECOMMENDATION TO THE**  
6 **COMMISSION ON THE COMPANY'S PROPOSED ALTERNATIVE**  
7 **GENERATION SERVICE?**

8 A. The Commission should approve the Alternative Generation Service Program with  
9 my proposed changes outlined above which would enable a customer, if they were  
10 willing to participate to choose a wholesale generation product from an alternative  
11 service provider that suits their business needs.

12 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

13 A. Yes.

# Chris W. Hendrix

Director of Markets & Compliance

Wal-Mart Stores, Inc.

Business Address: 2001 SE 10<sup>th</sup> Street, Bentonville, AR, 72716-5530

Business Phone: (479) 204-0845

Email: [chris.hendrix@wal-mart.com](mailto:chris.hendrix@wal-mart.com)

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## EXPERIENCE

2003 – Present

Wal-Mart Stores, Inc., Bentonville, AR

Director of Markets & Compliance (2009 – Present)

General Manager (2003 – 2009)

2002 – 2003

TXU Energy, Dallas, TX

Manager – Retail Pricing (2002 – 2003)

1997 - 2001

Enron Energy Services, Houston, TX

Manager – Target Markets (2002 – 2003)

Manager – Product Development/Structuring (1999 – 2001)

Senior Specialist (1997 – 1999)

1990 - 1997

Tenneco Energy, Houston, TX

Senior Rate Analyst (1994 – 1997)

Accounting Analyst (1992 – 1994)

Accountant (1991 – 1992)

## EDUCATION

1994 University of Houston

M.B.A. Finance & International Business

1991 University of Houston

B.B.A. Accounting (Magna Cum Laude)

## INDUSTRY ORGANIZATIONS

Arizona Independent Scheduling Administrator Association (AzISA)

Board Member (2014 – present)

Arizonans for Electric Choice & Competition (AECC)

Chairman (2013 – present)

COMPETE Coalition

Board Member (2008 – 2013)

Electric Reliability Council of Texas (ERCOT)

Technical Advisory Committee - TAC (2004 – 2006)

National Energy Marketers Association

Chairman (2015 – present)

Executive Committee and Policy Chair (2006 – present)

**NEPOOL (ISO New England)**

Participants Committee (2011 – present)

Markets Committee (2011 – present)

Consumer Liaison Group (2011 – present)

**PJM Interconnection**

Market Reliability Committee (2011 – present)

Members Committee (2011 – present)

**TESTIMONY**

*1998*

Oklahoma Corporation Commission Cause No. PUD 980000177: Joint Application of Oklahoma Natural Gas Company, A Division of Oneok, Inc., Oneok Gas Transportation, a Division of Oneok, Inc., and Kansas Gas Service Company, a Division of Oneok, Inc., for Approval of Their Unbundling Plan for Natural Gas Services Upstream of the Citygates or Aggregation Points.

*2012*

Arizona Docket No. E-01345A-11-0224: In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, and to Approve Rate Schedules Designed to Develop Such Return.